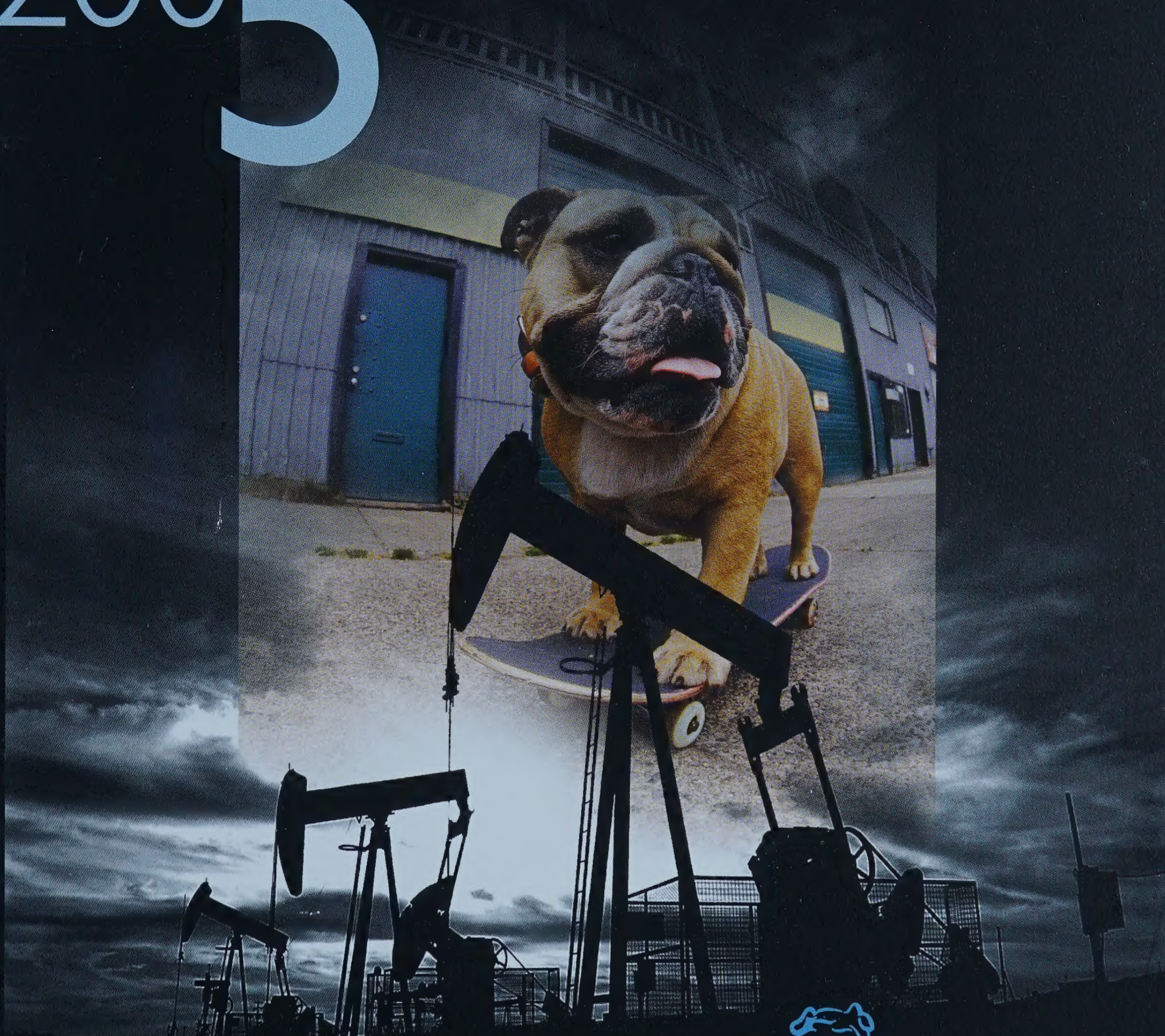
# 2005 annual report



Bulldog resources inc.

Bulldog Resources Inc.

*Bulldog is a Calgary based oil and natural gas company engaged in the exploration, acquisition, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. We commenced operations on November 29, 2005 as a result of the Plan of Arrangement between Bulldog Energy Inc. and Crescent Point Energy Trust. The Plan of Arrangement, through a series of transactions, resulted in Bulldog Energy shareholders exchanging their shares for units of Crescent Point and common shares of Bulldog Resources.*

**CONTENTS**

# Report to Shareholders

## OUR HISTORY

Bulldog's Resources predecessor Bulldog Energy completed a $4.2 million initial public offering in December 2001 and commenced operations in January 2002 with 13 Bbls/day of oil production. Bulldog Energy's management team and experienced board of directors successfully grew the company to a production base of 2,125 BOE per day.

Bulldog Energy's success was based on an active operated drilling program, strategic acquisitions, and efficient field and corporate operations. The company increased its oil production every quarter of its fifteen quarter corporate history. Bulldog Energy achieved top decile field and corporate netbacks concluding with $51.74/Bbl and $42.72/Bbl respectively in the third quarter of 2005. We intend to maintain these core strategies in Bulldog Resources Inc.

Bulldog Resources commenced operations on November 29, 2005 as a result of the Plan of Arrangement between Bulldog Energy and Crescent Point Energy Trust. The Plan of Arrangement, resulted in: (a) Bulldog Energy Class B shareholders exchanging each of their Class B Shares for 3.257 Class A shares; and (b) Bulldog Energy Class A shareholders transferring each of their Class A shares to Crescent Point in exchange for: (i) 0.13 of a Crescent Point trust unit and (ii) 0.5 of a common share of Bulldog Resources.

The Plan of Arrangement with Crescent Point had two main purposes. The Arrangement permitted the shareholders to realize the value of Bulldog Energy's producing and relatively mature assets through the receipt of equity units in an established trust. The second strategic objective of the Arrangement was the ability to retain "early stage development" properties in the new entity-Bulldog Resources. This allowed our shareholders the continued participation in a public junior oil and gas exploration and development company focused on high levels of growth.

On October 3, 2005, the date of announcement of the transaction, the value of the operations sold to Crescent Point Energy Trust was $118 million. On March 16, 2006 the market value of the Crescent Point Energy Trust units was $22.42/unit. Bulldog Resources market value was $1.92 per share. Bulldog Energy's Initial Pubic Offering was priced at $1,000/unit (issued on a flow through basis for income tax purposes) comprised of 600 Class A common shares at $0.20 per share and 88 Class B shares at $10 per share. In four years, this $1,000 initial investment has since increased to approximately $ 3,428 for an annual return of 86 % per year.

## A COMMITTED AND MOTIVATED TEAM

Upon closing the Plan of Arrangement, Bulldog Energy's Board of Directors, management and employees joined Bulldog Resources. This management group has demonstrated its ability to start and efficiently grow junior oil and gas entities and create significant value for its shareholders. As part of the Plan of Arrangement Bulldog Resources board of directors, management and staff invested $4 million into the new entity through the issuance of 4 million common shares. This private placement was priced at approximately two times the post consolidation September 30, 2005 net asset value per share of Bulldog Resources and is subject to an 18 month escrow period. This initial investment on a premium valuation basis demonstrates the high level of insider commitment and confidence in the success of Bulldog Resources. After the March 13, 2006 private placement of common shares closes, the Company's board of directors and management will collectively own approximately 27% of the outstanding common shares.

# Report to Shareholders

## EXCELLENT DRILLING SUCCESS

We are extremely pleased with the progress we have obtained in our first four months of operations.

The Fertile (Tilston) property continues to produce excellent drilling results. To-date, Bulldog has drilled four vertical stratigraphic test wells on the property and three follow-up producing horizontal wells. Production volumes from these three wells are averaging approximately 700 Bbls/day (350 Bbls/day net) of 34 degree API light oil. A fourth horizontal well is currently being completed and is expected to be on production before the end of March.

The four vertical stratigraphic test wells were cored and logged in our zones of interest at strategic locations on the property and provided excellent geological and reservoir information for the development of the oil pool. This information, together with the results of the horizontal wells, has given us sufficient confidence to budget the drilling of an additional 9 horizontal wells on the property in 2006.

Bulldog's production facilities on the Fertile (Tilston) property are currently being expanded to handle 2,400 Bbls/day of oil production. All producing wells are being flow lined to our battery to minimize operating costs. In addition, the installation of electrical power will improve the efficiency of our operation. Bulldog has a 50% working interest and is the operator of the Fertile (Tilston) property.

## LIGHT OIL PRODUCTION HAS DOUBLED

In early March, total company production volumes averaged approximately 400 Bbls/day of light crude oil. This represented more than double our production volumes since Bulldog acquired its initial properties on November 29, 2005 with initial production of approximately 180 Bbls/day.

With the current benchmark WTI oil price in excess of US $60/Bbl, our operating netbacks after royalties and operating costs are in excess of CDN $43/Bbl. This price environment together with rising production volumes has significantly augmented Bulldog's cash flows from the levels realized at the beginning of 2006; further increases are expected over the balance of the year.

## INCREASED FINANCIAL STRENGTH

On March 13, 2006, Bulldog executed a bought deal financing agreement with a syndicate of underwriters to issue 3,100,000 common shares at a price of $1.80 per share for gross proceeds of $5,580,000. The financing was over subscribed. We increased the financing by 278,000 common shares ($500,400) resulting in a total of 3,378,000 common shares at a price of $1.80 per share for gross proceeds of $6,080,400 The syndicate of underwriters was led by Tristone Capital Inc. and includes Canaccord Capital Corporation, Blackmont Capital Inc., Dundee Securities Corporation and Research Capital Corporation. The common shares will be offered by way of private placement. Bulldog directors, officers, employees and their family members intend to purchase a total of $837,000 of this financing. Completion of this financing is subject to receipt of all necessary regulatory approvals. The financing is expected to close on or about April 4, 2006. On closing of the financing, Bulldog will have 24,959,202 common shares and 1,875,000 performance warrants outstanding.

After closing of the financing, Bulldog estimates it will have approximately $7.4 million of working capital. Bulldog currently has a bank operating facility of $1,500,000 and a development/acquisition line of $1,000,000. These facilities are undrawn. We have considerable financial strength, through our working capital, cash flow and bank facilities to significantly exceed the funding requirements of our currently planned 2006 capital expenditure program.

# Report to Shareholders

## 2006 CAPITAL EXPENDITURE PROGRAM

Bulldog's currently planned 2006 capital expenditure program, comprised of drilling, facilities, tie-ins, land, and seismic, is currently budgeted at $10.6 million. We intend to drill approximately 16 wells (7.4 net) in 2006; 13 of these wells will be operated by us. Bulldog will have drilled 3 wells (1.5 net) in the first quarter. We will resume drilling after spring break up. While drilling rigs in Southeast Saskatchewan are experiencing record high utilization rates, Bulldog has secured its drilling rig for the balance of the year. We are confident that we will be able to execute the balance of our 2006 drilling program with the current rig. A second rig, if it became available, would be utilized to expand our current drilling program.

Given the dynamic nature of our 2006 drilling program, we are unable to provide meaningful production volume guidance for 2006 at this time. We will provide timely updates through our quarterly and operational press releases as to the success of our on-going drilling operations and the impact on production volumes.

## EXPANDING DRILLING OPPORTUNITIES

We currently have an inventory of 20 (9.5 net) drilling locations. We continue to build our inventory of drilling locations on new prospects through on going land acquisition and seismic programs.

## MARKET COMMENTARY

Bulldog's common share trading volumes averaged 121,820 shares/day during the first three and one half months of trading to March 17, 2006. This indicates strong market interest in Bulldog and healthy liquidity. Our trading price ranged from a low of $ 1.01 /share to a high of $ 2.04/share and averaged $ 1.67/share during this period. As of this writing, we are trading in the $ 1.80 to $1.95/share range.

## WE ARE READY TO ROLL!

Bulldog Resources has all of the components of a successful, growth oriented junior oil company: excellent light oil properties with significant development drilling reserve and production growth potential; strong financial resources and the ability to access capital; and a proven team of motivated professionals who have created significant value together for our shareholders in our previous company, Bulldog Energy.

With the closing of the financing and a light oil drilling program being executed in 2006, we will focus our attention on an expansion of our opportunities. We have been successful in Southeast Saskatchewan and this area will continue to be a core area of operations. Bulldog has a very experienced group of directors, management and employees who have a wide range of knowledge in areas of the Western Canada Sedimentary Basin and internationally. We intend to utilize this experience and our financial strength in our evaluation of new opportunities.

Ken McKay

Kenneth D. McKay, P. Geol.
President and Chief Executive Officer

March 17, 2006

# *Operations*

# OPERATIONS

## 2005 SUMMARY

The financial and operational results summarized below reflect one month of operations as the Plan of Arrangement concerning Bulldog Energy and Crescent Point Energy Trust was completed on November 29, 2005.

### FINANCIAL

| | November 29 to December 31, 2005 |
|---|---|
| Revenue | $ 366,001 |
| Cash flow | 98,743 |
| Net loss | (32,768) |
| Per share – basic & diluted | – |
| Capital expenditures | 362,001 |
| Working capital | 3,950,775 |
| Total debt | – |
| Shareholders' equity | $ 8,659,719 |

### OPERATIONAL *(units as noted)*

| | |
|---|---|
| Average daily production | |
| Oil (barrels/day) | 180 |
| Natural gas (mcf/day) | 34 |
| Combined (BOE/day) | 186 |
| Average price realization | |
| Oil/barrel ($Cdn.) | $ 60.00 |
| Natural gas/mcf ($Cdn.) | $ 8.00 |
| Combined/BOE ($Cdn.) | $ 61.48 |
| Proven and probable reserves | |
| Oil (barrels) | 529,000 |
| Natural gas (mcf) | 107,000 |
| Combined (BOE) | 546,000 |
| Undeveloped land (net acres) | 6,698 |
| Wells drilled (net) | 0.5 |
| Field netback/BOE | $ 42.15 |

### CAPITAL STRUCTURE

| | December 31, 2005 |
|---|---|
| Outstanding debt | |
| Bank operating facility (authorized $1,500,000) | $ nil |
| Development/acquisition credit facility ($1,000,000) | $ nil |
| Total debt | $ nil |
| Common shares outstanding – December 31, 2005 | 21,581,202 |
| Stock options to purchase common shares | nil |
| Performance warrants to purchase common shares (exercise price $1.00) | 1,875,000 |
| Common shares outstanding after exercise of the performance warrants | 23,456,202 |
| Total proceeds due on exercise of performance warrants | $ 1,875,000 |

* *If unexercised, the performance warrants will expire on November 29, 2010.*

# Operations

## Operational Reports

*Undeveloped Land (acres)*

| | December 31, 2005 Gross | Net |
|---|---|---|
| Saskatchewan | 9,504 | 6,698 |
| Average working interest | 70.5% | |

**PETROLEUM AND NATURAL GAS RESERVES**

The reserves associated with Bulldog Resources' properties were initially evaluated by GLJ Petroleum Consultants Ltd. as of September 30, 2005. GLJ has recently completed the updated evaluation of our reserves effective as of December 31, 2005. Their report, dated January 18, 2006, covered 100% of our reserves. All of the following material presented is extracted from the GLJ report based upon the sections prepared using escalating price and cost assumptions. Bulldog does not represent that the undiscounted and discounted future net revenues as estimated by GLJ are representative of fair market value. Additional reserves disclosure in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is included in our Annual Information Form dated February 17, 2006 which is available on SEDAR at www.sedar.com.

## Summary of Estimated Reserve Volumes

Our proven and probable reserve volumes have increased 28%, to 546,000 BOE from 425,000 BOE.

| | Oil (mbbls) | Natural Gas (mmcf) | Total (MBOE) |
|---|---|---|---|
| December 31, 2005 | | | |
| Proved producing | 134 | 41 | 141 |
| Proved undeveloped | 46 | 0 | 46 |
| Total proved | 180 | 41 | 187 |
| Total probable | 349 | 65 | 360 |
| Total proved plus probable | 529 | 107 | 546 |

## Summary of Estimated Future Net Revenues *(Before Income Taxes)(000s)*

The net present value of the proven and probable reserves utilizing a 10% discount and GLJ's January 1, 2006 price forecast has increased 36% to $10.2 million as of December 31, 2005 from $7.5 million as of September 30, 2005. Current and forward strip oil prices are significantly in excess of GLJ's oil price forecast used in the December 31, 2005 evaluation.

| | Undiscounted | Discounted @ 10% | 8% | 5% |
|---|---|---|---|---|
| December 31, 2005 | | | | |
| Proved producing | $ 4,012 | $ 3,256 | $ 3,377 | $ 3,583 |
| Proved undeveloped | 1,639 | 1,121 | 1,200 | 1,338 |
| Total proved | 5,650 | 4,378 | 4,577 | 4,921 |
| Total probable | 9,798 | 5,814 | 6,341 | 7,325 |
| Total proved plus probable | $ 15,449 | $ 10,192 | $ 10,918 | $ 12,246 |

The future net revenues are calculated based upon estimated revenues using the GLJ January 1, 2006 price forecast less royalties, operating costs, future development costs, and well abandonment costs. Estimated income taxes have not been deducted in arriving at these numbers.

# *Management's Discussion & Analysis*

# Management's Discussion & Analysis

## ADVISORIES

*The following amended discussion and analysis dated March 17, 2006 is provided by the management of Bulldog Resources Inc. ("Bulldog"). This amended MD&A complements and supplements the disclosures in our audited amended consolidated financial statements which have been prepared according to Canadian generally accepted accounting principles (GAAP) as at and for the period from incorporation on October 24, 2005 to December 31, 2005. Further information is presented in the revised 2005 Annual Information Form dated March 13, 2006. All of these documents are available on SEDAR at www.sedar.com.*

*Certain information presented in this amended MD&A is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the availability of qualified personnel and services, stock market volatility, and the access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.*

*Finally, in the presentation of the amended MD&A, Bulldog uses three terms that are applied in analyzing corporate performance within our industry:*

- ***Barrel of Oil Equivalent (BOE)** – Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. Throughout this amended MD&A Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.*
- ***Operating Income and Field Netback** – Operating income is defined as revenues less royalties, transportation costs and production expenses. Field netback is the term used when these items are expressed on a BOE of production basis.*
- ***Cash Flow from Operations (Cash flow)** – This measure is considered critical within our industry both in terms of measuring success in our historical operations and being an indicator of funding sources for on-going efforts to replace production volumes and increase reserve volumes. Canadian GAAP requires that "cash flow from operating activities" be the measurement focus. This latter term is derived from "cash flow" as defined by Bulldog adjusted for the change in non-cash working capital. Bulldog believes "cash flow" and "cash flow per share" to be meaningful measures of our performance and therefore have used these terms throughout this amended MD&A. Accordingly, we are required to advise the reader that: (a) these are non-GAAP measures for purposes of Canadian accounting standards; and (b) our determinations may not be comparable to those reported by other companies.*

## CORPORATE ORIGIN

Bulldog is a Calgary based oil and natural gas company engaged in the exploration, acquisition, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. We commenced operations on November 30, 2005 as a result of the Plan of Arrangement between Bulldog Energy Inc. and Crescent Point Energy Trust. The Plan of Arrangement, through a series of transactions, resulted in Bulldog Energy shareholders exchanging their shares in exchange for units of Crescent Point and common shares of Bulldog Resources.

The accounting policies adopted by Bulldog are consistent with the accounting policies previously followed by Bulldog Energy.

# Management's Discussion & Analysis

## RESULTS OF OPERATIONS

### Production Volumes

| | |
|---|---|
| Total volumes | |
| Oil (barrels) | 5,770 |
| Natural gas (thousand of cubic feet) | 1,100 |
| Barrels of oil equivalent (BOE) | 5,953 |
| Daily averages | |
| Oil (barrels per day) | 180 |
| Natural gas (thousand cubic feet per day) | 34 |
| Barrels of oil equivalent (BOE per day) | 186 |

These production volumes are for the period from November 30 to December 31, 2005. Our production volumes are expected to increase substantially in the second quarter of 2006 as a result of our drilling program.

### Operating Income

Operating income is defined as revenues less royalties, transportation costs and production expenses.

| | Total | Per BOE |
|---|---|---|
| Revenue | $ 366,001 | $ 61.48 |
| Royalties | (77,120) | (12.95) |
| Transportation costs | (9,769) | (1.64) |
| Production expenses | (28,246) | (4.74) |
| Operating income (field netback) | $ 250,866 | $ 42.15 |

Bulldog's operating income is anticipated to increase in the second quarter of 2006 as a result of the expected increase in production volumes.

*Revenue*

Bulldog's revenue was $366,001 in 2005, comprised of $346,201 of oil sales (95%), $8,800 of natural gas sales (2%) and $11,000 of other revenue (3%). Bulldog's realized oil price for its December production was $60.00 per barrel which is a $7.45 per barrel differential from the December 2005 Edmonton light oil posting price of $67.45 per barrel.

| | |
|---|---|
| WTI benchmark price ($ U.S. per barrel) | $ 59.45 |
| Market differential ($U.S. per barrel) | (1.38) |
| Exchange – $U.S./$Cdn | 0.861 |
| Edmonton light benchmark ($Cdn per barrel) | $ 67.45 |
| Corporate differential ($Cdn per barrel) | (7.45) |
| Bulldog average oil price ($Cdn per barrel) | $ 60.00 |

*Royalties*

Bulldog's royalties were $77,120 in 2005 ($12.95 per BOE) and averaged 21 percent of gross revenue. Our horizontal wells at Fertile drilled on Crown lands are eligible for the reduced Crown royalty rate of 2.5% on the first 37,500 barrels of gross cumulative oil production. After this reduced royalty period, the eligible wells are subject to sliding scale Crown royalty rates. Bulldog's Fertile area oil production benefited from the reduced royalty rates in December 2005.

# Management's Discussion & Analysis

*Transportation costs*

Transportation costs were $9,769 in 2005 ($1.64 per BOE) and represented the costs of trucking Bulldog's oil from its central facilities to the purchaser's pipeline terminals

*Production expenses*

Total production expenses were $28,246 in 2005 ($4.74 per BOE). Since these operating expenses only cover one month of activity, the operating costs per BOE are not likely to be representative of a full year of activity which most likely will be in the $6-7.00 per BOE range.

## Other Expenses

*General and Administrative*

| | |
|---|---|
| Gross expenses | $ 173,302 |
| Operator recoveries | (3,000) |
| Capitalized overhead | (63,499) |
| Net expenses | $ 106,803 |

Gross expenses in 2005 include approximately $72,000 of annual "public company" type of expenses being recognized for the month of December 2005. General and administrative expenses directly related to exploration and development activities were capitalized and represented 37 percent of general and administrative expenses after the deduction of operator recoveries.

Upon closing the Plan of Arrangement, Bulldog Energy's Board of Directors, management and employees joined Bulldog Resources. Our directors and management accepted reduced compensation in comparison to the compensation they received from Bulldog Energy as a result of the smaller initial production base. This management group has demonstrated its ability to start and efficiently grow junior oil and gas entities and create significant value for their shareholders. We have the staff in place to efficiently manage significant levels of growth. As of December 31, 2005, Bulldog had 9 employees.

*Stock based compensation*

In conjunction with the Plan of Arrangement, Bulldog issued 1,875,000 performance warrants with a five year term. The cost of $37,511 is associated with the value of the first half of the performance warrants issued to directors, officers and employees. Each performance warrant is exercisable for one common share at a price of $1.00 per share subject to various vesting requirements as disclosed in the audited financial statements.

*Depletion, depreciation and accretion*

Bulldog's depletion, depreciation and accretion expense was $125,000 in 2005. Depletion and depreciation expense is calculated using the unit-of-production method which is based on BOE production volumes in relation to the BOE proven reserve base. Due to the undeveloped nature of Bulldog's properties, probable reserves comprised 66 percent of total BOE reserves as at December 31, 2005. The significant portion of probable reserves increases Bulldog's BOE depletion rate as these reserves are not included in our depletion calculation. We expect that the depletion rate on a BOE basis will decrease as these probable reserves are reclassified into the proven category. The cost of unproved properties excluded from the depletion base as at December 31, 2005 was $1.5 million. The property, plant and equipment balance was subject to a ceiling test at December 31, 2005 and no write down was required under this calculation.

# Management's Discussion & Analysis

*Income taxes*

Bulldog's total income tax provision was $14,320 in 2005 comprised of $45,320 in current income taxes, and a future income tax recovery of $31,000. Even though Bulldog had a loss before income taxes of $18,448, an income tax expense provision results mainly due to the non deductibility for income tax purposes of the stock based compensation expenses of $37,511. As at December 31, 2005, our income tax pools were approximately:

| | |
|---|---|
| Canadian Oil and Gas Property Expenses | **$ 3.0 million** |
| Canadian Development Expenses | **0.1 million** |
| Undepreciated Capital Cost Allowances | **1.1 million** |
| Total | **$ 4.2 million** |

Bulldog's 2006 taxability on a current basis will depend on the magnitude of the 2006 capital expenditure program in relation to anticipated cash flow. The continuation of the high oil price environment and the pace of production volume additions will have the greatest impact on the magnitude of cash flow.

## Cash Flow from Operations

Bulldog's cash flow from operations for the period from November 30 to December 31, 2005 was $98,743. We estimate that our cash flow will increase in the second quarter of 2006 as a result of our anticipated production volume growth.

## Net Loss

Bulldog's net loss for 2005 was $32,768. This loss primarily resulted from the high per BOE depletion rate, $72,000 of "annual nature" general administrative expenses being accrued in the month of December and the income tax expense provision.

## Capital Expenditures

In December 2005, Bulldog drilled and operated 1 gross (0.5 net) stratigraphic test well in Saskatchewan. In addition, we expanded our undeveloped land inventory through Crown land purchases. The following summarizes Bulldog's 2005 capital expenditures:

| | | |
|---|---|---|
| Lease acquisitions and retentions | $ | **90,263** |
| Drilling | | **271,738** |
| Total | $ | **362,001** |

## LIQUIDITY AND CAPITAL RESOURCES

In accordance with the Plan of Arrangement approved by Bulldog Energy's shareholders on November 29, 2005, Bulldog Resources raised $4.0 million through a private placement of 4,000,000 common shares at a price of $1.00 per share (2,000,000 of these shares were issued on a flow-through basis for income tax purposes). This private placement was fully subscribed by Bulldog's directors, officers, employees and their immediate families. This share issue was priced at approximately two times Bulldog's net asset value per share utilizing a 10 percent discount rate applied to evaluated reserves with an effective date of September 30, 2005. The 4,000,000 common shares are subject to an 18 month escrow whereby one third of the total will be released every six months with the final release being on May 29, 2007. As at December 31, 2005, Bulldog had 21,581,202 common shares and 1,875,000 performance warrants outstanding.

# Management's Discussion & Analysis

Bulldog's financial position at December 31, 2005 was strong with working capital of $3,950,775. We have considerable financial strength, through our working capital, cash flow and credit capacity, to fund the 2006 capital expenditure program.

Our industry operates within several parameters affecting its liquidity and capital resources:

- It is capital intensive requiring cash infusions on a regular basis as it seeks to grow its business.
- Its inventory of product for sale – its reserves – needs to be constantly replenished and augmented.
- It is a price taker when selling its inventory of oil and natural gas reserves.

Given these constraints, Bulldog plans to finance its operations primarily through equity sources and cash flow. We will maintain credit facilities to finance working capital fluctuations, incremental exploration and development activities, and acquisitions.

Bulldog has a $1.5 million revolving operating loan credit facility and a $1.0 million non revolving acquisition/ development credit facility with a Canadian bank. Borrowings under these facilities are repayable on demand and limited to a borrowing base as determined from time to time by the bank. The revolving operating loan and acquisition/ development credit facilities bear interest at the bank's prime rate plus 0.50 percent per annum and 0.75 percent per annum respectively. The assets of Bulldog are pledged as security for amounts drawn under these facilities and the facilities are also secured by a general security agreement and a floating charge debenture. At December 31, 2005, these credit facilities were undrawn.

Bulldog enters into various contractual obligations in the normal course of its operations, including the purchase of various operational services, operating agreements, lease obligations for office space and office equipment. These contractual obligations were entered into in the ordinary course of business and the terms reflect market conditions. Our forward contractual obligations for the next six years are summarized as:

| Payment periods | **2006** | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Land lease rentals | $ **40,275** | $ 38,272 | $ 36,916 | $ 35,582 | $ 35,275 | $ 31,350 |
| Office lease | **82,852** | – | – | – | – | – |
| Total | $ **123,127** | $ 38,272 | $ 36,916 | $ 35,582 | $ 35,275 | $ 31,350 |

Under the terms of the November 29, 2005 private placement, Bulldog is obligated to incur qualifying Canadian exploration expenditures for income tax purposes of $2.0 million by December 31, 2006; as at December 31, 2005 the remaining obligation was approximately $1.8 million. We have an inventory of drilling prospects and seismic programs to fulfill this obligation. Bulldog does not have any off balance sheet arrangements or obligations that are not reflected in the consolidated financial statements.

Bulldog is exposed to fluctuations in oil prices and will continually moniter and review whether to hedge a portion of its oil production. The primary reason for entering into such hedging programs is to protect cash flows and in doing so assure the financing for our capital expenditure program. As at December 31, 2005, there were no commodity price risk management contracts outstanding.

On March 13, 2006 Bulldog entered into a bought deal financing agreement with a syndicate of underwriters to issue 3,378,000 common shares at a price of $1.80 per share for net proceeds, after estimated share issue expenses, of $5.6 million. The common shares are offered by way of a private placement. Bulldog's directors, officers, employees and their family members intend to purchase a total of $837,000 of this financing. Completion of this financing is subject to regulatory approval. This financing is expected to close on April 4, 2006. After closing this financing, Bulldog estimates that it will have approximately $7.4 million of working capital.

# Management's Discussion & Analysis

## GUIDANCE FOR 2006

Bulldog's capital expenditure program for 2006, comprised of drilling, facilities, tie-ins, land and seismic, is forecasted to be approximately $10.6 million which will be funded through existing working capital and cash flow from operations. We intend to drill approximately 16 wells (7.4 net) in 2006 which includes the drilling of approximately 12 horizontal wells at Fertile. Thirteen of the wells will be operated by Bulldog. We will keep our shareholders informed on a timely basis of the results of our drilling programs as they progress.

## ADDITIONAL DISCLOSURES

### Critical Accounting Estimates

In the preparation of the consolidated financial statements, it was necessary for Bulldog to make certain estimates that were critical to determining our assets, liabilities and net loss. None of these estimates affect the determination of cash flow but do have a significant impact in the determination of earnings. The most critical of these estimates is the reserves estimation and the resulting effect on various income statement and balance sheet measures.

Bulldog engaged the independent engineering firm GLJ Associates Ltd. (GLJ) to evaluate our oil and natural gas reserves. Their report was utilized in: a) the calculation of depletion and depreciation expense, b) the application of the ceiling test, and c) the calculation of asset retirement obligations. The estimation of the reserve volumes and future net revenues set out in the GLJ report is complex and subject to uncertainties and interpretations. Judgments are based upon engineering data, projected future rates of production, forecasts of commodity prices, and the timing of future expenditures. Inevitably the estimates of reserve volumes and future net revenues will vary over time as new data becomes available. Changes in estimated proved reserves or future development costs have a direct impact on depletion and depreciation expense.

### Related Party Transactions

During 2005, Bulldog incurred $7,000 of legal fees to a law firm in which one of Bulldog's directors is a partner.

### Financial risks

Financial risks that are not within Bulldog's control include the fluctuation in commodity prices and foreign exchange, provincial and federal regulations, royalties, taxes and interest rates. Bulldog is exposed to foreign currency fluctuations as crude oil prices received are referenced to U.S. dollar denominated prices. We will be exposed to floating interest rates if we incur bank borrowings.

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. Normal settlement terms are 30 days. We would be exposed to credit risk on any commodity price risk management contracts, due to the potential for non-performance by the counter parties. We mitigate these risks by only dealing with well established marketing companies or major financial institutions.

Bulldog endeavors to manage certain risks by focusing on controlling its cost structure and implementing the strategy of focusing on core areas and geological targets to control capital exposure risk.

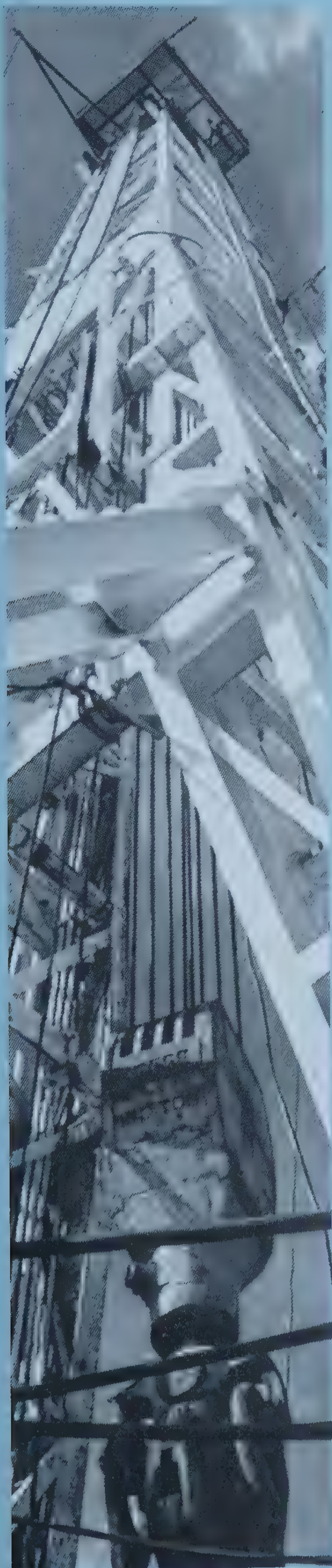
## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that relevant and accurate information needed to comply with Bulldog's continuous disclosure obligations is accumulated and summarized to allow timely decisions regarding disclosure and to ensure that the risk of a material error or fraud is minimal. Management have concluded that Bulldog's disclosure controls and procedures, as of the end of the period covered by the annual filings, are effective in ensuring that material information is accumulated and disclosed accurately. Bulldog's management believes that "cost effective" disclosure controls, disclosure procedures and internal control systems can only provide reasonable assurance, and not absolute assurance, that the objectives of the controls and procedures are met.

### SELECTED ANNUAL FINANCIAL INFORMATION

| | |
|---|---|
| Revenues | $ 366,001 |
| Expenses | 398,769 |
| Net loss | (32,768) |
| Per share – basic and diluted | – |
| Working capital | 3,950,775 |
| Total assets | 10,092,149 |
| Total liabilities | 1,432,430 |
| Shareholders' equity | $ 8,659,719 |
| Common shares outstanding | 21,581,202 |

The above noted revenue, expenses and net loss reflect the operations of Bulldog from the commencement of operations on November 30, 2005 to December 2005. Bulldog's net loss for 2005 results from the high per BOE depletion rate, $72,000 of "annual nature" general administrative expenses being incurred in the month of December and the income tax provision.



# *Consolidated Financial Statements*

## MANAGEMENT'S REPORT

### TO THE SHAREHOLDERS OF BULLDOG RESOURCES INC.

These amended consolidated financial statements are the responsibility of the Management of Bulldog Resources Inc. They have been prepared in accordance with Canadian generally accepted accounting principles using Management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the amended consolidated financial statements, notes to the consolidated financial statements and other financial information contained in this report. Estimates are sometimes necessary in the preparation of these statements because a precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgments and believes they are properly reflected in the accompanying amended consolidated financial statements. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of Bulldog is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee which is comprised of independent Directors and meets at least every quarter. The Board also meets with Management to ensure that Management's responsibilities are fulfilled, to review the consolidated financial statements and to recommend approval of the consolidated financial statements. The Board of Directors has approved the amended consolidated financial statements. An independent auditor, KPMG LLP, has audited the amended financial statements of Bulldog in accordance with Canadian generally accepted auditing standards and has provided an independent opinion.

Ken McKay

KEN MCKAY, P.GEOL.
President and Chief Executive Officer

R Kraft

ROBERT E. KRAFT, C.A.
Chief Financial Officer

Calgary, Alberta
March 17, 2006

# AUDITORS' REPORT

## TO THE SHAREHOLDERS OF BULLDOG RESOURCES INC.

We have audited the amended consolidated balance sheet of Bulldog Resources Inc. as at December 31, 2005 and the amended consolidated statements of earnings and deficit and cash flows for the period from incorporation on October 24, 2005 to December 31, 2005. These amended consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these amended consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these amended consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and cash flows for the period from incorporation on October 24, 2005 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Alberta
February 17, 2006, except for note 13 which is at March 17, 2006.

## CONSOLIDATED BALANCE SHEET

| | As at December 31 2005 |
|---|---|
| **Assets** | |
| *Current Assets* | |
| Cash | $ 4,288,836 |
| Accounts receivable | 343,558 |
| Taxes receivable | 233,548 |
| Prepaid expenses | 40,788 |
| | 4,906,730 |
| *Property, plant and equipment* (note 4 ) | 5,185,419 |
| | $ 10,092,149 |
| **Liabilities and Shareholders' Equity** | |
| *Current liabilities* | |
| Accounts payable and accrued liabilities | $ 955,955 |
| *Asset retirement obligations* (note 6) | 367,475 |
| *Future income taxes* (note 7) | 109,000 |
| *Shareholders' Equity* | |
| Share capital (note 8) | 8,654,976 |
| Contributed surplus (note 8) | 37,511 |
| Deficit | (32,768) |
| | 8,659,719 |
| | $ 10,092,149 |

*Commitments (notes 8 and 12)*

*Subsequent event (note 13)*

*See accompanying notes.*

Approved on behalf of the Board:

John A. Thomson, C.A.
Director & Chairman of the Audit Committee

Claudio A. Ghersinich, P. Eng.
Director

# Audited Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

*For the period from incorporation on October 24, 2005 to December 31, 2005*

| | | |
|---|---|---|
| Revenue | $ | 366,001 |
| Royalties | | (77,120) |
| Transportation costs | | (9,769) |
| Production expenses | | (28,246) |
| | | 250,866 |
| Other expenses: | | |
| General and administrative | | 106,803 |
| Stock-based compensation *(note 8)* | | 37,511 |
| Depletion, depreciation and accretion | | 125,000 |
| | | 269,314 |
| ***Loss before income taxes*** | | (18,448) |
| Income taxes *(note 7)* | | |
| Current income taxes | | 45,320 |
| Future income tax recovery | | (31,000) |
| | | 14,320 |
| ***Net loss for the period and deficit, end of period*** | $ | (32,768) |
| ***Net loss per share*** *(note 8)* | | |
| Basic and diluted | $ | (0.00) |

*See accompanying notes.*

# Audited Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the period from incorporation on October 24, 2005 to December 31, 2005*

| | |
|---|---|
| Cash provided by (used in): | |
| *Operating activities* | |
| Net loss for the period | $ (32,768) |
| Items not affecting cash: | |
| Depletion, depreciation and accretion | 125,000 |
| Stock-based compensation | 37,511 |
| Future income tax recovery | (31,000) |
| Funds flow from operations | 98,743 |
| Change in non-cash working capital *(note 11)* | (30,774) |
| | 67,969 |
| *Financing activities* | |
| Issuance of common shares *(note 8)* | 4,000,001 |
| *Investing activities* | |
| Expenditures on property, plant and equipment | (362,001) |
| Change in non-cash working capital *(note 11)* | 376,258 |
| Cash acquired under the Plan of Arrangement *(note 3)* | 206,609 |
| | 220,866 |
| *Increase in cash and cash at end of period* | $ 4,288,836 |

*Supplemental cash flow information* *(note 11 )*

*See accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the period from incorporation on October 24, 2005 to December 31, 2005*

### 1. Basis of Presentation

Bulldog Resources Inc. ("Bulldog") was incorporated under the Business Corporations Act (Alberta) on October 24, 2005 and commenced operations on November 30, 2005 upon completion of the Plan of Arrangement involving Bulldog Energy Inc. and its subsidiaries and Crescent Point Energy Trust as more fully described in note 3. Bulldog's principal business activity is the exploration, exploitation, development and production of petroleum and natural gas reserves in the Western Canadian Sedimentary Basin.

The consolidated financial statements include the accounts of Bulldog and its wholly owned subsidiary. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

### 2. Significant Accounting Policies

*(a) Joint ventures*

A portion of Bulldog's exploration, development and production activities are conducted jointly with others. These consolidated financial statements reflect only Bulldog's proportionate interest in such joint activities.

***(b) Petroleum and natural gas properties and equipment***

Bulldog follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in a single Canadian cost center. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas equipment and overhead charges directly related to exploration and development activities.

Undeveloped and unproved properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full-cost pool subject to depletion.

Bulldog periodically assesses the carrying value of its property plant and equipment to determine if the carrying value is in excess of the estimated value of future cash flows . The assessment is a two part ceiling test process. The first part, the recognition of impairment, is determined by comparing the carrying amount of property, plant and equipment to the undiscounted cash flows expected to result from Bulldog's proved reserves using future product prices. If there is impairment, the second part of the calculation would measure the magnitude of the impairment by comparing the carrying amount of property, plant and equipment to the estimated net present value of future pre-tax cash flows from proved plus probable reserves and the sale of

unproved properties. Cash flows are estimated using future product prices and costs and are discounted using a risk free interest rate. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and charged as additional depletion and depreciation expense in the statement of earnings.

Proceeds from the disposition of petroleum and natural gas properties and equipment are applied against capitalized costs except for dispositions that would change the rate of depletion and depreciation by 20 percent or more, in which case a gain or loss would be recorded.

*(c) Depletion, depreciation and accretion*

Capitalized costs, together with estimated future capital costs associated with proven reserves, are depleted and depreciated using the unit-of-production method based on Bulldog's estimated proven reserves of petroleum and natural gas as determined by independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on relative energy content of six thousand cubic feet of natural gas to one barrel of oil. Costs of significant unproved properties, net of impairments, and estimated salvage values are initially excluded from the depletion calculation.

*(d) Revenue recognition*

Petroleum and natural gas revenues are recognized when title passes from Bulldog to its customers.

*(e) Asset retirement obligations*

The fair value of estimated asset retirement obligations is recognized as a liability on the consolidated balance sheet in the period in which it is incurred based upon discounted values (using Bulldog's credit adjusted risk-free interest rate) of anticipated future expenditures required to pay for such obligations. Such estimates vary from year to year and are accounted for as follows:

(i) Increases resulting from the passage of time are recognized as accretion expense in the consolidated statement of earnings.

(ii) Revisions resulting from changes to estimates or timing of future expenditures to pay for such obligations are recorded as an increase or decrease to the liability on the consolidated balance sheet.

(iii) Actual expenditures incurred in respect of asset retirements are recorded as a reduction of the liability on the consolidated balance sheet.

When an asset retirement obligation is recorded, an equivalent amount, the asset retirement cost, is capitalized as part of petroleum and natural gas properties. Such costs are amortized on the same basis as other capitalized costs with the expense included in depletion and depreciation expense.

*(f) Stock-based compensation*

Bulldog has a stock-based compensation plan consisting of performance warrants and stock options which is described in Note 8. Performance warrants and options granted to directors, officers and employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of the performance warrants and options is based on the Black-Scholes option pricing model and assumptions regarding interest rates, volatility of Bulldog's common shares, and expected life of the performance warrants or options. Compensation expense is recognized over the vesting period.

# Audited Consolidated Financial Statements

*(g) Flow-through shares*

Resource expenditure deductions funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. To recognize the foregone tax benefits to Bulldog, the future income tax liability and the carrying value of the shares issued are adjusted by the effect of the tax benefits renounced to subscribers when the corresponding exploration and development expenditures are renounced.

*(h) Future income taxes*

Bulldog uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are calculated based on the estimated tax effects of temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and their respective tax bases. Future income tax assets or liabilities are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in income in the period in which the change occurs.

*(i) Per share information*

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the fiscal period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using the treasury stock method that assumes any proceeds received by Bulldog upon the exercise of "in-the-money" performance warrants or options would be used to buy back common shares at the average market price for the period.

## 3. Commencement of Commercial Operations

Under the Plan of Arrangement, through a series of transactions, shareholders of Bulldog Energy received units of Crescent Point Energy Trust and common shares of Bulldog Resources. In addition a portion of Bulldog Energy's net assets were transferred to Bulldog Resources on November 29, 2005. At the time of this transaction, Bulldog and Bulldog Energy were related companies resulting in a transfer of assets being recorded at their carrying values as follows:

| | |
|---|---|
| Net assets received : | |
| Property, plant and equipment | $ 4,946,000 |
| Cash | 206,609 |
| Accounts receivable | 130,298 |
| Taxes receivable | 278,868 |
| Accounts payable and accrued liabilities | (401,743) |
| Asset retirement obligations | (365,057) |
| Future income taxes | (140,000) |
| Common share equity (note 8) | $ 4,654,975 |

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Cost | Accumulated depletion and depreciation | Net Book Value |
|---|---|---|---|
| Property, plant and equipment | $ 5,308,001 | $ 122,582 | $ 5,185,419 |

During the period ended December 31, 2005, Bulldog capitalized general and administrative costs of $63,499 which is included in property, plant and equipment.

Land and seismic costs associated with unproven properties that were excluded from costs subject to depletion and depreciation were $1,510,000. A total salvage value of $303,000 reduced the costs of equipment subject to depreciation. Future development costs on proved reserves of $475,000 as at December 31, 2005 were included in the calculation of depletion and depreciation.

For the ceiling test purposes, the benchmark prices for the years 2006 to 2012 used are noted below. These benchmark prices were adjusted for quality and transportation in determining cash flow for ceiling test purposes.

| | Edmonton Crude oil $/bbl |
|---|---|
| 2006 | 66.25 |
| 2007 | 64.00 |
| 2008 | 59.25 |
| 2009 | 55.75 |
| 2010 | 54.00 |
| 2011 | 52.25 |
| 2012 | 52.25 |

Oil prices are escalated at 2 percent per annum thereafter. The exchange rate utilized for all periods was US$0.85/Cdn.$1.00

## 5. BANK CREDIT FACILITIES

Bulldog has a $1.5 million revolving operating loan credit facility and a $1.0 million non revolving acquisition/development credit facility with a Canadian bank. Borrowings under these facilities are payable on demand and are limited to a borrowing base as determined from time to time by the bank. The revolving operating loan and acquisition/ development credit facilities bear interest at the bank's prime rate plus 0.50 percent and 0.75 percent per annum respectively. The assets of Bulldog are pledged as security for amounts drawn under these facilities and the facilities are also secured by a general security agreement and a floating charge debenture. At December 31, 2005, these credit facilities were undrawn.

# Audited Consolidated Financial Statements

## 6. Asset Retirement Obligations

The future asset retirement obligation was estimated based on Bulldog's net ownership in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. As at December 31, 2005, the total estimated undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately $0.5 million which will be incurred over the next 15 years, with the majority of the expenditures to be incurred by 2010. A credit adjusted risk-free rate of eight percent and an inflation rate of two percent was used to calculate the fair value of the asset retirement obligations.

The following reconciles the changes in Bulldog's asset retirement obligations:

| | | |
|---|---|---|
| Balance, beginning of period | $ | – |
| Acquired under the Plan of Arrangement (note 3) | | 365,057 |
| Liabilities incurred | | – |
| Accretion expense | | 2,418 |
| Balance, end of period | $ | 367,475 |

## 7. Income Taxes

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 38.35 percent to the loss for the period as follows:

| | | |
|---|---|---|
| Loss for the period before income taxes | $ | (18,448) |
| Statutory rate | | 38.35% |
| Expected income tax (recovery) | | (7,075) |
| Increase (decrease) resulting from: | | |
| Non-deductible Crown payments | | 14,064 |
| Resource allowance | | (12,878) |
| Non-deductible stock based compensation | | 14,386 |
| Other | | 5,823 |
| Total income tax provision | $ | 14,320 |
| Provision for income taxes | | |
| Current income taxes | $ | 45,320 |
| Future income taxes | | (31,000) |
| | $ | 14,320 |

The components of future income tax balances are as follows:

| | | |
|---|---|---|
| Future income tax asset | | |
| Asset retirement obligations | | |
| Future income tax liability | $ | 140,927 |
| Property, plant and equipment carrying value in excess of tax value | | 249,927 |
| Net future income tax liability | $ | 109,000 |

## 8. SHARE CAPITAL

*Authorized:*

Unlimited number of common voting shares

Unlimited number of Class A preferred shares

***Issued and outstanding common shares:***

| | Number | Amount |
|---|---|---|
| Balance, beginning of period | – | $ – |
| Issued during the period: | | |
| Issued on incorporation | 1 | 1 |
| Issued pursuant to the Plan of Arrangement *(note 3)* | 17,581,201 | 4,654,975 |
| Private placement (a) | 4,000,000 | 4,000,000 |
| Balance, end of period | 21,581,202 | $ 8,654,976 |

(a) On November 29, 2005, Bulldog raised $4.0 million through a private placement of 4,000,000 common shares at a price of $1.00 per share (2,000,000 of these shares were issued on a flow-through basis for income taxes purposes). All of these common shares were subscribed for by Bulldog's directors, officers, employees and members of their immediate families. Pursuant to the terms of escrow agreements between each of the subscribers and the escrow agent, the 4,000,000 common shares are subject to an 18 month escrow. These shares are releasable in tranches of 1/3 every six months with the final release being on May 29, 2007.

The common shares issued on a flow-through basis for income tax purposes require Bulldog to renounce $2.0 million of Canadian Exploration Expenditures effective December 31, 2005. Bulldog is obligated to incur qualifying expenditures prior to December 31, 2006 – as at December 31, 2005 the remaining obligation was $1.8 million.

*Performance Warrants*

On November 29, 2005, Bulldog issued 1,875,000 performance warrants. Each performance warrant will be exercisable for one common share at a price of $1.00 per share upon satisfaction of the following vesting provisions:

a) the first half of each holder's performance warrants will vest and become exercisable if the holder continues to be a director, officer or employee of Bulldog as at December 1, 2006 and at any time during the term of the performance warrants, the thirty day weighted average trading price of the common shares is equal to or greater than $1.50 per share. This share price requirement was achieved on January 20, 2006.

b) the second half of each holder's performance warrants will vest and become exercisable if the holder continues to be a director, officer or employee as at December 1, 2007 and at any time during the term of the performance warrants, the thirty day weighted average trading price of the common shares is equal to or greater than $2.00 per share.

At December 31, 2005 none of the performance warrants had vested or become exercisable. The performance warrants expire on November 29, 2010.

The per share weighted average fair value of the performance warrants granted during the period ended December 31, 2005, was estimated based on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate (%) | 3.90 |
| Expected life (years) | 5 |
| Expected volatility (%) | 50 |
| Expected dividends (%) | – |
| Weighted average grant-date fair value | $ 0.48 |

# Audited Consolidated Financial Statements

At December 31, 2005 it was assumed that 50 percent of the performance warrants would vest, as the weighted average trading price requirement for the first half of the performance warrants was achieved in January 2006.

### *Contributed Surplus*

| | |
|---|---|
| Balance, beginning of period | $ – |
| Stock-based compensation | 37,511 |
| Balance, end of period | $ 37,511 |

### *Stock Option Plan*

Under the Plan of Arrangement, the shareholders also approved Bulldog's stock option plan. The number of common shares reserved for options granted under the stock option plan, together with any common shares reserved for issuance pursuant to the exercise of the performance warrants, may not be more than 10% of the aggregate number of the then issued and outstanding common shares. As a result, the 2,158,120 Common Shares authorized for issuance pursuant to Bulldog's stock option plan as at December 31, 2005 is reduced by the 1,875,000 Common Shares issuable on the exercise of the performance warrants. Bulldog's stock option plan requires options to have an exercise price equal to the market price at the date of grant. As at December 31, 2005 no stock options had been granted under the plan.

### *Per Share Amounts*

Performance warrants to purchase 1,875,000 common shares were outstanding during the period ended December 31, 2005. There was no dilutive effect resulting from the outstanding performance warrants. The following table sets forth the details of the denominator used for the computation of basic and diluted earnings per share. The weighted average number of common shares is calculated based on one common share outstanding for the period October 24 to November 29, 2005 and 21,581,202 common shares outstanding for the period November 30 to December 31, 2005.

| | |
|---|---|
| Weighted average number of common shares | 10,008,673 |
| Dilutive effect of performance warrants | – |
| Weighted average number of diluted common shares | 10,008,673 |

## 9. Related Party Transactions

A director of Bulldog is a partner in a law firm that provides legal services to Bulldog. General and administrative expenses include legal services of $7,000 incurred in 2005.

## 10. Fair Value

The carrying value of accounts receivable, and accounts payable and accrued liabilities approximated their fair values as at December 31, 2005 due to the immediate or short term maturity of these instruments.

*(a) Foreign currency risk management*

Bulldog is exposed to foreign currency fluctuations as crude prices received are referenced to U.S. dollar denominated prices.

*(b) Credit risk management*

Bulldog's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal credit risks. Bulldog sells substantially all of its production to one credit-worthy purchaser under normal industry sale and payment terms. Amounts receivable from joint venture partners are recoverable from production and, accordingly, Bulldog views credit risks on these amounts as minimal.

# Audited Consolidated Financial Statements

## 11. Supplemental Cash Flow Information

Changes in non-cash working capital were comprised of the following:

| | 2005 |
|---|---|
| Accounts receivable | $ (213,260) |
| Taxes receivable | 45,320 |
| Prepaid expenses | (40,788) |
| Accounts payable and accrued liabilities | 554,212 |
| Net change | $ 345,484 |
| Net change by activity: | |
| Operating | $ (30,774) |
| Financing | – |
| Investing | 376,258 |
| Net change | $ 345,484 |

Amounts actually paid during the periods relating to interest expense and current income taxes are as follows:

| | 2005 |
|---|---|
| Interest | – |
| Current income taxes | $ 45,320 |

These amounts were funded as part of the Plan of Arrangement.

## 12. Commitments

(*a*) At December 31, 2005 Bulldog had a commitment relating to office space totaling $82,852 for 2006.

(*b*) Bulldog has a total of $217,670 in mineral and surface lease rental commitments over the following six years.

| | |
|---|---|
| 2006 | $ 40,275 |
| 2007 | 38,272 |
| 2008 | 36,916 |
| 2009 | 35,582 |
| 2010 | 35,275 |
| 2011 | 31,350 |

## 13. Subsequent Event

On March 13, 2006 Bulldog entered into a bought deal financing agreement with a syndicate of underwriters to issue 3,378,000 common shares at a price of $1.80 per share for net proceeds, after estimated share issue expenses, of approximately $5,625,000. The common shares are offered by way of a private placement. Bulldog's directors, officers, employees and their family members intend to purchase a total of $837,000 of this financing. Completion of this financing is subject to regulatory approval. This financing is expected to close on April 4, 2006.

# Shareholder Information

## Board of Directors

**E. Craig Lothian, LL.B.**(1)(3)
Chairman of the Board
Regina, Saskatchewan

**Claudio A. Ghersinich, P. Eng.**(1)(2)
Calgary, Alberta

**S. Bruce McKay, C.E.T.**
Calgary, Alberta

**Kenneth D. McKay, P. Geol.**
Calgary, Alberta

**James M. Pasieka, LL.B.** (2)(3)
Calgary, Alberta

**John A. Thomson, C.A.**(1)(3)
Calgary, Alberta

*(1) Members of the Audit Committee*
*(2) Members of the Reserve Committee*
*(3) Members of the Governance & Compensation Committee*

## Officers

**Kenneth D. McKay, P. Geol.**
President & Chief Executive Officer

**S. Bruce McKay, C.E.T.**
Vice President Production
& Chief Operating Officer

**Michael H. Flanagan, P. Land**
Executive Vice President Land

**Robert E. Kraft, C.A.**
Chief Financial Officer

## Evaluation Engineers

**GLJ Petroleum Consultants Ltd.**
Calgary, Alberta

## Bankers

**National Bank**
Calgary, Alberta

## Auditors

**KPMG LLP**
Chartered Accountants
Calgary, Alberta

## Solicitors

**Heenan Blaikie LLP**
Barristers & Solicitors
Calgary, Alberta

## Stock Exchange

**The TSX Exchange**
Symbol: **BD**

## Transfer Agent

**Olympia Trust Company**
Telephone (403) 261-0900

### FORWARD LOOKING INFORMATION

*Certain information presented in this annual report is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the availability of qualified personnel, stock market volatility, access to sufficient capital from internal and external sources, and access to field equipment and services. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.*

For further information on Bulldog Resources Inc., please contact Ken McKay, President & CEO, or Rob Kraft, Chief Financial Officer by phone at (403) 266-6902, or e-mail at info@bulldogresources.ca.

Bulldog Resources Inc.
Suite 805, 734 - 7th Avenue S.W., Calgary, AB, T2P 3P8
Telephone (403) 266-6902 — Facsimile (403) 264-7470
web: www.bulldogresources.ca — email: info@bulldogresources.ca

Bulldog
resources inc.

Suite 805, 734 - 7th Avenue S.W., Calgary, AB, T2P 3P8
Telephone (403) 266-6902 — Facsimile (403) 264-7470
web: www.bulldogresources.ca — email: info@bulldogresources.ca